



Colorado Gov. Jared Polis prepares to head to his new office before his inauguration at the Colorado Capitol on Jan. 8, 2019. (AAron Ontiveroz/The Denver Post/Pool)

POLITICS AND GOVERNMENT

Jared Polis cheers a GOP tax cut plan, and his political allies shudder

The debate comes as a new report shows the gap between the effective tax rates of the rich and poor has grown wider in Colorado.

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Hours after Democratic Gov. Jared Polis cheered a Republican effort to cut income taxes by 3 percent, a liberal policy group issued a sharp rebuttal.

In a blog post published Thursday night, the Colorado Fiscal Institute characterized the plan as unwelcome “relief” for corporations and the wealthy that would ultimately exacerbate income inequality, while reducing funding for programs that assist the middle class.

“It doesn’t seem to me that our biggest challenges for dealing with a growing population, and a changing economy ... are addressed by less money,” Carol Hedges, executive director of the Colorado Fiscal Institute, said in an interview with The Colorado Sun.

The reaction underscores the difficulty Polis will have ushering his tax plans through the Democratic state legislature. And it reflects growing concerns on the left with Polis’ plans to cut tax rates while simultaneously requesting funding for an ambitious year one agenda.

In his budget proposal this week, Polis proposed \$227 million for full-day kindergarten, \$77 million to reduce the K-12 funding shortfall and \$112 million to allow a one-year college tuition freeze proposed by the prior administration.

MORE: Jared Polis has 208 options to lower your taxes. But it’ll be harder than you may think.

To be clear, there are key differences between Polis’ plan to cut taxes up to 5 percent by eliminating as much as \$450 million in corporate tax breaks and the Republican bill, which would just cut taxes without offsets.

After 5 p.m. Friday, Polis’ administration issued a statement pushing back against suggestions that the tax cut would benefit the highest earners, as liberal critics fear. Administration officials said that when coupled with other planned tax code changes, 63 percent of the benefits would go to taxpayers with incomes below \$100,000.

But at best, liberals view Polis' tax plan as a missed opportunity to spend the money diverted from corporate tax breaks on top priorities. Polis' initial spending wish list doesn't even include new money to address a transportation funding crisis that lawmakers have been talking about for more than a decade.

At worst, Polis' proposal is considered by liberals in his party as a giveaway to the rich in a state where the tax code already favors the wealthy.

The gap in Colorado's tax burden grows

According to a new Colorado Department of Revenue analysis, those making more than \$200,000 pay the smallest share of their income of any income group. The gap between the effective tax rates of the rich and poor has grown wider since the last tax profile study two years ago, the study found.

A Colorado Fiscal Institute analysis found that an across-the-board tax cut, like the one Polis and Republicans are proposing, would disproportionately benefit the rich.

At the 3 percent cut suggested by GOP lawmakers, a Colorado household making between \$60,000 and \$100,000 would receive an estimated tax cut of \$59 to \$107. Those making over \$1 million annually would receive upwards of \$1,200 in tax relief. Wealthier taxpayers benefit more from a percentage cut because they pay a higher amount of taxes in the first place.

Estimated savings from the Republican proposed 3 percent tax cut

Income (AGI)	Average Taxable Income	Less in Income Taxes at 4.49%
\$20,000	\$4,421	\$6
\$40,000	\$24,218	\$34
\$60,000	\$42,053	\$59
\$100,000	\$76,378	\$107
\$200,000	\$166,306	\$233
\$300,000	\$271,712	\$380
\$500,000	\$452,853	\$634
\$1,000,000	\$905,707	\$1,268
\$5,000,000	\$4,528,533	\$6,340
\$10,000,000	\$9,057,066	\$12,680

Source: CFI Tax Simulator

Those numbers represent the low end of what Polis is proposing. In the campaign, Polis pledged to cut taxes by 3 to 5 percent. At the 5 percent level, critics warn, the disparity between the rich and poor would grow even more.

Complicating matters for the political left is the constitutional Taxpayer's Bill of Rights, or TABOR. It prohibits lawmakers from taxing the rich at a higher rate than others, as the federal government does through tiered income brackets.

Scott Wasserman, president of the left-leaning Bell Policy Center, told The Colorado Sun that those TABOR restrictions make it difficult for policymakers to provide tax relief to the middle class without giving even more money back to the wealthy.

"There are ways to create some tax fairness in revenue-neutral ways," Wasserman said, like offering tax credits exclusively to those making less than a certain income. But he says you can't do it with an across-the-board rate cut.

"TABOR explicitly bars our elected leaders from differentiating between millionaires and everybody else trying to make ends meet in this state," he said. "TABOR is, by design, really regressive."

In his tweet, he praised Republican Sen. Jerry Sonnenberg and Rep. Rod Pelton for “offering tax relief for all Coloradans.”



Jared Polis
@jaredpolis

Thank you @JerrySonnenberg and @RepRodPelton for offering tax relief for ALL Coloradans. I look forward to working with you to achieve even lower rate than 4.49%, coming up w agreeable ways to reduce tax expenditures to ensure revenue neutrality
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29 12:44 PM - Jan 17, 2019

Rural Colorado lawmakers introduce bill to r...

The bill would reduce Colorado's personal and corporate income tax rate from 4.63 percent to 4.49 percent.

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But the governor renewed his insistence that such a tax cut be revenue neutral, and offset by eliminating corporate tax breaks.

Democrats look for other ways to find money

Even as Polis pursues a tax rate cut, the Denver Business Journal on Thursday reported that Democratic House Speaker KC Becker told business leaders she wants to ask voters for more money, through a so-called “de-Brucing” measure that would allow the state to keep more than \$1 billion in revenue above the limit set by the Taxpayer’s Bill of Rights — instead of sending it back to taxpayers through targeted refunds.

“It’s money that voters are already giving to us. It’s money that they typically don’t notice us giving to them,” Becker said at the Colorado Chamber of Commerce’s Colorado Business Day luncheon. “This is one where can at least, in the short term, and at a modest amount, address this.”

That's the approach preferred by liberal policy advocates, who have long insisted the state needs more revenue for public services. But their assessment of Polis' proposal wasn't all bad.

"It's really exciting for us that we've got a governor that's talking about fairness and equity in the tax code" by targeting corporate tax breaks, Hedges said.

He's just not talking about fairness and equity as much as progressives want when it comes to taxes.

Updated 6 p.m. Jan. 18, 2019: This story was updated to include comment from the Polis administration.

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